

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6649**

**BILL NUMBER:** HB 1860

**DATE PREPARED:** Feb 3, 2001

**BILL AMENDED:**

**SUBJECT:** Medicaid Physician Reimbursement Rates.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X

**GENERAL  
DEDICATED  
FEDERAL**

X

**IMPACT:** State

**Summary of Legislation:** This bill requires the Office of Medicaid Policy and Planning (OMPP) to establish payments to providers based on certain Medicare payment and reimbursement rates. The bill requires OMPP to adjust payments to providers accordingly and provides that the adjustment must increase state General Fund expenditures by not less than \$2,000,000 per year.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** *Medicaid Reimbursement Rates:* Effective for FY 2002, OMPP is to rebase the Medicaid reimbursement system to reflect current Medicare data ("relative value units"). (The reimbursement rates currently being used are based on 1994 Medicare data.). Based on data received in 2000, this provision is estimated to increase the state share of expenditures under the Medicaid and Childrens' Health Insurance (CHIP) programs by at least \$6.5 M (\$16.9 M in total additional expenditures; \$10.4 M in federal share). [A provision in this bill requires that the increase in state General Fund expenditures be at least \$2 M. Current projections suggest that this requirement will be met.]

The expenditures in the regular Medicaid program are shared with the federal government at a rate of about 62% (state share of 38%). CHIP expenditures are shared at an enhanced rate of about 73% (state share of 27%).

[Note: Additional information has been requested from OMPP and will be provided when it becomes available.]

**Explanation of State Revenues:** See Explanation of State Expenditures, above, regarding federal cost sharing under the Medicaid program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Legislative Services Agency; Family and Social Services Administration.

**Local Agencies Affected:**

**Information Sources:** Kathy Gifford, OMPP, (317) 233-4455.